



The APPRAISER

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Opinion Of Value

By Richard A. Stephens
Board Chairman

One of the most sweeping changes in reporting options in years went into effect Nov. 1, and more are coming Jan. 1.

I'm referring to the revised Fannie Mae and VA appraisal report forms, which were implemented Nov. 1, and the revised Freddie Mac and FHA forms that will go into effect Jan. 1.

Many of you have taken advantage of several educational opportunities to acquaint yourselves with the revised forms, and I applaud your efforts to be current and knowledgeable.

Others have not completed a class about the changes, and I urge you to find an offering to attend to make sure you are handling the new forms correctly. You even can find information on line at [www. Efanniema.com](http://www.Efanniema.com) under "Guides" to the "Allregs On Line Fannie Mae Single Unit Guides."

Meanwhile, numerous questions have been directed to the Appraisal Standards Board (ASB) about the revised Fannie Mae appraisal report Form 1004, many of them about Item #23 in the Appraiser's Certification. Some of the questions about Item #23 were included in the ASB's July Question &

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Are You Listening? The Future Is Coming, and It's Changing!

Because most Americans live in the present, and the present is frenetic, the Arkansas Appraiser Licensing and Certification Board fears there may be some Arkansas appraisers who have missed the warning that they must act soon to avoid jeopardizing their futures in two years.

The Appraisal Qualifications Board (AQB) has adopted new criteria for being licensed or certified, and they will go into effect Jan. 1, 2008!

This is how the changes could affect you: if you are State Licensed and you hope to upgrade your status to Certified Residential or Certified General in the future, you will be required after Jan. 1, 2008, to have completed 200 hours of prescribed qualifying educational course work along with evidence of having completed an associate degree or 21 college credit hours from among a litany of specified courses

If you desire to upgrade your status to Certified General after Jan. 1, 2008, you will need to have completed 300 hours of prequalifying education in addition to holding a college degree or a minimum of 30 college credit hours of specified courses.

The AQB gave the states two options for implementing the revised criteria. One was a "firm date" deadline of Jan. 1, 2008, and the second was a "segmented" sce-

nario that allows an appraiser, under certain circumstances, to file for partial compliance with the criteria that exist now.

The Arkansas Board has adopted the "segmented" approach. This effectively permit's an applicant to file the completed current ('07) required educational hours for a classification with the Board on or before Dec. 31, 2007. This will allow the process (experience and examination) to go forward after Jan. 1, 2008, under 2007 requirements.

This partial compliance with minimum requirement affects those seeking initial state licensing as well as those seeking upgrades.

Appraisers who intend to upgrade their licenses should pay particular attention to this requirement if they do not have an asso-

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Renewals Due Dec. 31 For SRs

Appraisers and trainees holding State Registrations are reminded their registration is on a calendar basis and must be renewed with the Board by Dec. 31 to avoid penalty or lapse in status.

Here is a check list to consider in preparing to renew:

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- ◆ If the appraiser has been registered for a full year or more, he or she is required to submit 14 hours of acceptable education to renew;
- ◆ Those who registered after July 1, 2004, and before June 30, 2005, are required to have had the 15-hour Uniform Standards of Professional Appraisal Practice (USPAP) course in order to renew.
- ◆ State Registered appraisers must have a 7-hour USPAP Update course every two years.

The Board is preparing to mail a statement to each State Registered appraiser showing the correct fees and any certificates documenting continuing education credits that should be returned to the agency.

Questions about the renewal process or continuing education requirements should be directed to the Board office.

Governor Names Chiles to Board

E.B. "Bruce" Chiles III of Joiner, whose life almost always has revolved around the land, was appointed to the Board in August by Gov. Mike Huckabee to fill the unexpired term of Virginia Risinger. The term ends Jan. 15, and Chiles said he has no idea whether he will be reappointed.

After graduating with a business administration degree in 1961 from Ole Miss, Chiles came home two years later to run the family farm in Mississippi County but soon found himself working as a manager in Little Rock, Memphis, and Texarkana for the General Electric Credit Corporation.

He returned to Joiner for good in 1967 and stayed with farming until 1991 when he joined numerous peers in facing reality: either get a lot bigger in order to finance the big equipment needed to continue farming or bow out. His health was not great, and he chose the latter.

At about this time, Chiles accompanied a friend to a meeting where he heard Richard A. Stephens of Little Rock, the Board's current chairman, describe an appraisal assignment he was doing. Stephens' enthusiasm was contagious; Chiles was hooked.

As if that weren't enough motivation, he became an independent contractor for Pyron & Associates, Inc., in Little Rock.

Chiles said he gained "a lot of respect" for Pyron, who is a former Board chairman.

Chiles since seems to have spent much of his time studying. A self-effacing man, he said, "I don't know if I'll ever get it exactly right," but he is a Master Senior Appraiser, a State Certified General Appraiser, a candidate for the American Society of Farm Managers and Rural Appraisers, a member of the National Society of Environmental Consultants, and holds an inactive Arkansas real estate license.



E.B. "Bruce" Chiles III

He runs his own appraisal company.

Chiles is married to the former Judy McDaniel of Wilson (also in Mississippi County), and they have two lawyer children — E.B. "Chip" Chiles IV of Little Rock and Leigh Chiles of Memphis.

His favorite pastime is fishing, but about this time of year, he exercises his rights as a member of the OK Hunting Club "to go over there and watch everyone else kill ducks."

At Long Last, Relief Given On Changes

The Appraisal Standards Board (ASB) of the Appraisal Foundation met Oct. 28 in Washington, D.C., and adopted the proposed modifications and edits to be included in the 2006 version of the Uniform Standards of Professional Appraisal Practice (USPAP).

There are some significant and long-sought changes about the effective date of the '06 edition and the period it will be applicable.

The '05 edition will remain in effect until June 30, 2006. The '06 edition will go into effect the next day and remain the guiding stan-

See **Relief**, Page 3

'06 Seminar Tentatively Set April 18

The Board's annual seminar has been scheduled tentatively for Tuesday, April 18, 2006, at the Shrine Temple in southwest Little Rock — a venue that proved to be highly successful for the event last spring.

Appraisers are encouraged to mark their calendars now and plan to attend.

The Board's Education Committee is working on a program that looks as if it will be educational as well as entertaining. For example, the tentative keynote speaker is a felon who speaks on "Red Flags of Mortgage Fraud" and "Doing the Right Thing When No One Else Is Around."

The Board has no plans at this time to hold a second seminar at another location but remains open to consider one if an organized appraiser group steps up to co-sponsor a similar or abbreviated session.

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dards of practice through Dec. 31, 2007.

Thereafter, it is anticipated the standards will be reviewed, edited, and/or updated on a two-year cycle, something the regulatory community has long desired.

ASB Chair Carla Glass said the "Publications schedule will allow for a greater transition period for appraisers, clients, educational providers, and appraisal regulators, especially given the scope of work changes to USPAP."

The final '06 document should be available in the first quarter of the new year and will be available for educators to use for the Update course. The most significant changes in the '06 edition deal with the "scope of work" issue.

Identity Theft Issue Surfaces

By Mary Lou Brainerd

Staff Investigator

It's hard to believe this year is nearly over. This must be the result of another very busy year in the complaint department.

Forty-six complaints had been lodged by the end of October. Four of these did not involve issues over which the Board had jurisdiction. Fifteen of the complaints are awaiting probable cause recommendations and three are to be scheduled for non-judicial conferences. All the rest have been resolved by dismissal, cautions, consent agreements or Board orders.

The work products of 13 appraisers are being monitored on a monthly basis as part of their remediation. Orders resulting from three of the eight full Board hearings held in the last two years are being appealed in circuit courts.

An issue that recently has surfaced in Arkansas and across the nation is appraiser identity theft. There are two basic sources of this problem. One is having an appraisal altered or the name scanned from a report and used on reports by an unknown party.

The other source is the unauthorized use of the supervisor's name and seal by a trainee or co-worker.

The first scenario is hard to control, but the second usually results from a supervisor who fails to guard his/her digital signature and seal conscientiously. It is never an acceptable practice for a trainee to have free access to his/her supervisor's signature and seal. If the supervisor has reviewed the work that is being co-signed, it should be no problem for him/her to insert his/her own signature.

Most conscientious professionals would not leave signed checks lying around, and being careless with your appraisal signature could be just as devastating financially.

If you know your appraisal signature and seal have been used in an unauthorized manner, let the Board know immediately. Don't wait until a complaint comes in and then try to use identity theft as your defense.

We hope you all have a great holiday season, and if you have a question, contact us!

Questions & Answers

(Editor's Note: *The Appraisal Standards Board (ASB) does not establish new standards or interpret existing ones. Its Q&A is issued to inform appraisers, regulators, and users of appraisal services of ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the USPAP in specific situations, and to offer advice from the ASB for the resolution of appraisal issues and problems.*)

Question: I have been asked to review three appraisal reports and

to report my findings in one report. Does USPAP permit this?

Response: Yes. A single review assignment can include several appraisal reports with the results contained in one report. Similarly, a single appraisal report can provide results for an appraisal that covers several properties.

Question: Is it permissible to appraise only the improvements in a real estate appraisal?

Response: Yes. Standards Rule 1-2(e)(v) states the subject of an assignment may be a physical segment of a property.

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Answer publication, from which I have extracted many of these remarks.

The first area of concern involves Intended User(s). Intended User is defined in USPAP as:

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report of the appraiser on the basis of communication with the client at the time of the assignment.

The ASB said “although the client provides information to the appraiser about the Intended Users, it is the appraiser who is responsible for specifying the parties he or she is identifying as the Intended Users.

Knowing the Intended Users is important because USPAP requires reports contain sufficient information to allow them to understand the report. Without clear knowledge about the Intended Users of an assignment, an appraiser can't be certain the report content is appropriate. Some Intended Users will need more information than others to understand a report.

Further, identifying the Intended Users is important for understanding the Intended Use or Uses of the appraisal; different Intended Users may have different Intended Uses for the appraisal.”

However, Item #23 in the Appraiser's Certification states:

The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.”

Is Item #23 clear? I wonder if the parties listed in Item #23 could interpret it to mean that they also are

Intended Users? To be in compliance with USPAP, what should be done about this item in the Appraiser's Certification?

USPAP requires each written appraisal report to: ...clearly and accurately set forth the appraisal in a manner that will not be misleading.

Part of satisfying this requirement is clarifying which parties are Intended Users. (See definition of Intended Users; Standards Rule 1-2(a) and Standards Rule 2-2(b)(I).)

The revised Fannie Mae appraisal report Form 1004 clearly states the lender/client is the Intended User, but the language in the Appraiser's Certification Item #23 confuses the matter.

Therefore, in order to clearly and accurately set forth the appraisal in a manner that is not misleading, the ASB advises the revised Fannie Mae report Form 1004 must be supplemented to clarify which parties the appraiser is identifying as Intended Users! This supplement is required by USPAP in order to avoid misleading an Intended User.

The ASB has been emphatic in stating it is responsible for determining whether a report conforms to USPAP. It is not the form designer or provider who makes that decision.

Another comment/question raised about the revised form was:

What should an appraiser do if the parties listed in Appraiser's Certification Item #23 are determined by the appraiser to be Intended Users? What if the appraiser determines they are not Intended Users?

ASB replies that if the appraiser intends for any of the parties listed in Item #23 to be Intended Users, the report must state this, and the appraiser must comply with the USPAP requirements associated with these other Intended Users. For example, further supplementation might be necessary to comply with Standards Rule 2-1(b) requiring the appraisal report to:

...Contain sufficient information to enable the intended users of the appraisal to understand the report properly...

If the appraiser does not intend for the parties listed in Item #23 to be Intended Users, the report must be supplemented to explain this clearly. For example, as indicated in USPAP Statement on Appraisal Standards No. 9, a statement similar to this one may be appropriate:

This report is intended for use only by (identify the client and any other intended users). Use of this report by others is not intended by the appraiser.

The last question about Item #23 raised in the ASB's July Q&A was:

How can I supplement the Fannie Mae appraisal report forms when the agency prohibits supplementation of the certification regarding anything material?

The ASB won't comment on Fannie Mae policies, but it does point out that USPAP requires the appraiser supplement an appraisal report form if the form is not adequate. As stated in Standard 2 of USPAP,

An appraiser must supplement a report form when necessary to ensure that any unintended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in the Standards Rules.

Each assignment is different, and no form could cover all USPAP requirements for all assignments. Appraisal report forms are simply tools to help organize the reporting of assignment results.

It is the responsibility of the appraiser to develop an appraisal properly and to report the results properly. A template or form may or may not report the assignment adequately.

There is no confusion about the person who bears the ultimate responsibility for complying—even with unclear instructions!

STATUS REPORT

As of Nov 2, 2005, Board records showed these totals for appraisers:

State Certified General . . . 499
 State Certified Residential 350
 State Licensed 145
 State Registered 416

(Includes temporary and nonresident appraisers)

NEXT LICENSING, CERTIFICATION EXAM

April 1, 2006

**DEADLINE TO APPLY:
Feb. 2, 2006**

Potential applicants should contact the Board's staff for current information about the application process, exam schedules, fees, and other licensing matters by calling (501) 296-1843, using the website at www.state.ar.us/alcb/, or write to the Appraiser Licensing and Certification Board office, 101 E. Capitol Ave., Suite 430, Little Rock, AR, 72201.

EDUCATION OFFERINGS

Arkansas Chapter of the Appraisal Institute — Contact Sara Stephens at (501) 372-7513 for information.

Baker's Professional Real Estate College — Shreveport, La. Contact Billie Baker at 1-318-222-7459

Career Web school — Distance Learning. Call 770-919-9191 for information.

The Columbia Institute — Distance Learning. Call 1-800-460-3147 for information.

Delta Seminars — "Appraisal Mathematics & Statistics with the HP12C, 15 hrs. QE, Benton, Dec. 9-10; "Marshall & Swift Residential," 15 hrs. QE, Benton, Jan. 13-14, 2006; "Appraising Single-Family Residence," 15 hrs. QE, Benton, Feb. 17-18, 2006. Contact Mickey Lee at (870) 731-8008 for additional information.

Lifetime Learning — Contact Dennis McElroy at (417) 887-2221. All classes held in Springfield, Mo.

The Lincoln Graduate Center — Call 1-800-531-5333 for information.

McKissock Appraisal School — Call 1-800-328-2008 for information.

Mid-South RE Appraisal Educators — Hot Springs. Contact James Reuss at j-reuss@sbc-global.net for information.

National Association of Independent Fee Appraisers — Call 1-312-673-5914 for information.

Ozarks Technical Community College — Springfield, Mo. Contact Mike Toler at 1-417-477-8880 for information.

RCI Career Enhancements — USPAP, 7 hrs., Russellville, Dec. 6; "USPAP," 15 hrs. QE, Russellville, Dec. 12-13. Contact David Reinold at (479) 968-7752 for more information.

John C. Wilkerson Jr. — Pryor Creek, Ok. Call 1-918-825-1514 for information on class schedules.

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ciate or bachelor's degree or credit hours because, stating the situation in a slightly different way:

An applicant who submits an affidavit (currently being developed) of education to be submitted on or before Dec. 31, 2007, will have his/her application processed at a future date based on the lesser educational requirements. All applications/affidavits received after Jan. 1, 2008, will be processed automatically under the greater requirements.

To help appraisers and those in training evaluate the impact of these changes on their education and career goals, here's a thumbnail sketch of what will be required after Jan. 1, 2008:

LICENSED RESIDENTIAL REAL PROPERTY APPRAISERS: Qualifying education increases by 60 hours to 150 hours. Qualifying experience will be 2,000 hours obtained in no fewer than 12 months.

CERTIFIED RESIDENTIAL APPRAISERS: Qualifying education hours are 200—an increase of 80. Applicant also must have at least 21 hours of specified college course work or has a two-year associate's degree.

CERTIFIED GENERAL APPRAISERS: Qualifying education is 300 hours, an increase of 120 hours. Also, applicant must have 30 hours of specified college work or a bachelor's degree.

3 Appraisers Drop Licenses

Three appraisers are no longer licensed to practice because they failed to tell the Arkansas Appraiser Licensing and Certification Board about their status or intent to renew their licenses by the June 30 deadline.

The three and their old license numbers are:

Bert Clayton Jr. — CR0878;
Michael Rambo — CR2695; and
Cecile Shackelford Taylor — CR0380

Those who use appraisal services should note that these persons no longer have the credentials to appraise federally related transactions, and their names have been removed from the Federal Registry.

ARKANSAS



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The subject of a real property appraisal can be all or any part of an improved or unimproved parcel or tract of identified real estate.

Question: AO-26 and AO-27 clarify that I cannot readdress an appraisal — that I must treat a subsequent request as a new assignment. Does this mean I must “start from scratch” because I would be performing a new assignment for a different client? Must I reinspect the property?

Response: No, a new assignment does not mean you must “start from scratch.” You must decide the appropriate scope of work for the new assignment, which would include a decision about whether it would be necessary to do another inspection. The scope of work for the new assignment can be different from the scope of work in the earlier assignment.

As with any assignment, you might be able to use information and analyses developed for a previous assignment. Appraisers often are selected for subsequent assignments specifically because of experience and demonstrated competency on a previous assignment.

F.Y.I.

The 15-hour USPAP course may no longer be taken for the purpose of satisfying the 7-hour national USPAP Update continuing education course requirement.

As of last Jan. 1, licensed and certified appraisers may take only the 7-hour USPAP Update course to comply with Section X(E) of the Rules and Regulations located on Page 27.

The 15-hour USPAP course may be taken for the purpose of continuing education credit.

CE Cycle

State Licensed and Certified appraisers are reminded the renewal cycle that starts July 1, 2006, will require advance documentation of 28 hours of continuing education that were completed since June 30, 2004. In addition, a 7-hour USPAP Update course must have been completed and documentation of it filed with the Board on or before license/ certification renewal is requested.

“Online” renewal can be accomplished only if and when the required CE hours have been recorded by the Board and posted in its data base.

Appraisers are encouraged to begin early to review their hours of accumulated continuing education and to chart a course to fill in any gaps that may exist. A renewal that is not completed by June 30, 2006, causes a license or certification to lapse.